

Decision 15-03-005 March 12, 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of  
PACIFICORP (U901E) for Authority to  
Update its Rates under its Energy Cost  
Adjustment Clause Effective  
January 1, 2015.

Application 14-08-002  
(Filed August 1, 2014)

**DECISION AUTHORIZING PACIFICORP TO MODIFY  
ENERGY COST ADJUSTMENT CLAUSE RATES**

**Summary**

This decision authorizes PacifiCorp to modify its Energy Cost Adjustment Clause rates to allow for recovery of its: 1) adjusted actual net power costs and fuel stock carrying charge for 2013; 2) adjusted actual/forecast net power costs and fuel stock carrying charge for 2014; 3) forecast net power costs and fuel stock carrying charge for 2015; 4) 2013 and 2014 adjusted actual California Air Resource Board (CARB) implementation fees and mandatory reporting verification costs; 5) payments for net metering surplus compensation made in 2013 through May 2014; and 6) forecast 2015 CARB implementation fees and mandatory reporting verification costs.

The modification authorized herein will result in an increase in rates of approximately \$5.0 million overall, or a 4.1 percent increase from rates currently in effect, for PacifiCorp's California retail customers. The new rates shall become effective upon the filing of a Tier 1 Advice Letter, subject to the Energy Division determining that the rates are in compliance with this decision.

## **1. Background**

On August 1, 2014, PacifiCorp filed Application (A.) 14-08-002 (A.14-08-002 or Application) requesting approval to increase rates under its Energy Cost Adjustment Clause (ECAC) that was authorized as part of PacifiCorp's general rate case (GRC) in Decision (D.) 06-12-011.<sup>1</sup> Notice of the application appeared on the Commission's Daily Calendar on August 6, 2014.

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 45,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California.

PacifiCorp's GRC application (A.05-11-022) filed in 2005, sought an overall revenue requirement increase and requested authority to implement an ECAC to allow for recovery of its Net Power Costs (NPC). PacifiCorp's request in A.05-11-022 was approved in D.06-12-011. PacifiCorp filed revised tariff sheets implementing the ECAC by advice letter,<sup>2</sup> which became effective on January 1, 2007. In each of the subsequent years, PacifiCorp has filed annual applications to adjust its ECAC rates.<sup>3</sup>

On September 2, 2014, the Office of Ratepayer Advocates (ORA) filed a protest to the current application stating the need for: 1) an independent audit of PacifiCorp's ECAC accounts and records; and 2) analysis of PacifiCorp's net variable power costs (NVPC) modeling, cost allocation and rate design. No other protests were filed.

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<sup>1</sup> See D.06-12-011.

<sup>2</sup> The Advice Letter was filed on December 21, 2006.

<sup>3</sup> See A.13-08-001, A.12-08-003, A.11-08-001, A.10-08-003, A.09-07-032 and A.08-08-003.

A Prehearing Conference (PHC) was held on September 16, 2014 to establish the scope and schedule of the proceeding. At the time PacifiCorp filed its application on August 1, 2014, the Commission had not yet issued a decision on PacifiCorp's 2014 ECAC application.<sup>4</sup> At the PHC, the co-assigned Administrative Law Judges (ALJs) directed PacifiCorp to file a supplement to the application, in order to discuss the effect of the Commission's approval of PacifiCorp's 2014 ECAC application<sup>5</sup> for increase in rates, to this current application.

On September 26, 2014, PacifiCorp filed the requested supplement and explained that it entered into a written stipulation with ORA which resulted in no rate change to its 2014 ECAC rates. PacifiCorp explained that consistent with the stipulation, the unrecovered amount of \$191,000 in the 2014 ECAC application<sup>6</sup> was already taken into account in the current application. Therefore, the Commission's approval of PacifiCorp's 2014 ECAC application resulted in no change to the ECAC rate adjustment being sought in this application.

On November 14, 2014, ORA filed a motion to include its "Report on the Results of Examination for PacifiCorp ECAC Application 2015" (Exhibit ORA-01) into the record. ORA did not propose that any adjustments be made to PacifiCorp's ECAC requests in this application. And because ORA deemed that

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<sup>4</sup> See A.13-08-001 filed on August 1, 2013.

<sup>5</sup> D.14-08-003 issued on August 14, 2014.

<sup>6</sup> The stipulation provided that the amount of \$191,000 that PacifiCorp sought to recover will remain in the ECAC balancing account and will be recovered in a future ECAC application.

there are no factual or legal issues that are in dispute, ORA believes that hearings and briefings are not necessary and waived its right to request both.

On November 17, 2014, the co-assigned ALJs issued a ruling receiving Exhibit ORA-01 into the record.

On November 18, 2014, PacifiCorp filed a motion to admit into the record previously served testimony and accompanying exhibits. PacifiCorp also filed a motion to place under seal confidential information in exhibits accompanying the direct testimony of Brian S. Dickman, which is addressed in Section 7 of this decision.

All assigned Commissioner and ALJ rulings are affirmed herein.

## **2. Summary of 2014 Application**

PacifiCorp requests authority to increase its ECAC rates by approximately \$5 million or 4.1 percent overall, for its California retail customers. The increase in ECAC rates will allow recovery of the following: 1) adjusted actual NPC and fuel stock carrying charge for 2013; 2) adjusted actual/forecast NPC and fuel stock carrying charge for 2014; 3) forecast NPC and fuel stock carrying charge for 2015; 4) 2013 and 2014 adjusted actual California Air Resource Board (CARB) implementation fees and mandatory reporting verification costs; 5) payments for net metering surplus compensation made in 2013 through May 2014; and 6) forecast 2015 CARB implementation fees and mandatory reporting verification costs.

The inclusion of CARB implementation costs and mandatory verification charges is consistent with D.12-03-022.<sup>7</sup>

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<sup>7</sup> (See D.12-03-022.) The Commission directed PacifiCorp to establish a memorandum account for recording CARB implementation fees and mandatory reporting and verification costs

*Footnote continued on next page*

NPCs are the sum of the company's fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales revenue.

The ECAC includes two rate components, the Balancing Rate and the Offset Rate. Both include CARB implementation fees and verification costs. The Balancing Rate is updated each year if the new rate varies from the current rate by 5 percent or more. Similarly, a change in the Offset Rate can be made if the change in NPC for the upcoming 12 months exceeds 5 percent.<sup>8</sup>

PacifiCorp requests a Balancing Rate of \$6.54 per megawatt-hour (MWh) and an Offset Rate of \$31.65, effective January 1, 2015. The current Balancing Rate is \$2.14 per MWh while the current Offset rate is set at \$30.00 per MWh.

PacifiCorp did not include any costs for the procurement of greenhouse gas (GHG) allowances or revenue from the sale of GHG allowances in this application. Instead, PacifiCorp filed a separate application to establish a forecast of GHG costs for 2015 and GHG allowance revenue to be distributed to eligible customer classes.<sup>9</sup>

### **3. Discussion**

PacifiCorp asserts that the overall net increase being proposed in the application is primarily due to higher-than-forecast loads in the previous ECAC and lower-than-projected wind and hydro generation which resulted in higher net power costs than were previously anticipated.

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required to implement Assembly Bill 32. The Commission also directed PacifiCorp to seek recovery of these costs.

<sup>8</sup> See D.06-12-011 at 6.

<sup>9</sup> See A.14-08-003 filed on August 1, 2014.

PacifiCorp's requested increase would result in the following price changes by customer class:

| <b>Customer Class</b> | <b>Requested Price Change</b> | <b>Requested Price Percent Change</b> |
|-----------------------|-------------------------------|---------------------------------------|
| Residential           | \$2,400,000                   | 3.9%                                  |
| Commercial/Industrial | \$2,015,000                   | 4.5%                                  |
| Irrigation            | \$576,000                     | 4.2%                                  |
| Lighting              | \$23,000                      | 2.6%                                  |
| <b>Overall</b>        | <b>\$5,014,000</b>            | <b>4.1%</b>                           |

### **3.1. Balancing Rate**

The Balancing Rate is the rate that returns to or recovers from customers the actual deferred NPC accumulated in the ECAC balancing account. The balancing account is intended to be recovered annually through the ECAC filing and the ECAC in turn, provides PacifiCorp the opportunity to recover NPC in a timely manner.

The 2015 Balancing Rate is calculated by:

- 1) Accumulating the sum of the following:
  - a. the unrecovered amount from previous ECAC filings remaining in the ECAC balancing account as of December 31, 2013;
  - b. the variance between the 2013 adjusted actual NPC and the amount projected in the 2014 ECAC filing;
  - c. the variance between 2014 adjusted actual/projected NPC and the NPC projected in the 2014 ECAC filing;

- d. the fuel stock carrying charge, the GHG Program administrative costs,<sup>10</sup> and net metering surplus compensation; and
  - e. interest accumulated on the balance of the ECAC balancing account.
- 2) Dividing the final balance of the ECAC balancing account by the California retail sales included in PacifiCorp's most recent general rate case;<sup>11</sup> and
- 3) Grossing-up the result for the ECAC Billing factor to account for franchise fees and uncollectible accounts expense.

The result of the above calculation is a recovery request of \$5.3 million, which represents a \$3.6 million increase compared to the rates currently in effect resulting in a proposed Balancing Rate of \$6.54 per MWh.<sup>12</sup> At the time the previous ECAC application was filed (2014 ECAC filing), the actual NPC available was only from January to May 2013 with the rest being forecast. The resulting actual adjusted NPC was higher than anticipated due in part to an increase in system load and a reduction in zero-fuel-cost generation from the company's wind and hydro resources. Also, the proposed Balancing Rate of \$6.54 varies from the current rate of \$2.14 by more than 5 percent.

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<sup>10</sup> Recovery of costs for procurement of GHG and revenue from the sale of GHG allowances, are not included in this application. These costs are sought to be recovered by PacifiCorp in A.14-08-003.

<sup>11</sup> See A.09-11-015.

<sup>12</sup> See Exhibits PAC/100 at 2 and 5, and PAC/101 at 1.

### **3.2. Offset Rate**

The Offset Rate is the amount of projected NPC, fuel stock carrying charges, net metering surplus compensation, and GHG Program administrative costs that will be recovered from customers.

The 2015 Offset Rate is calculated by:

1. The Sum of the following:
  - a. forecasted California-allocated 2015 NPC.
  - b. fuel stock carrying charges
  - c. net metering surplus compensation.
  - d. GHG Program costs.<sup>13</sup>
2. Dividing by the California Retail sales; and
3. Grossing up the amount by the ECAC Billing Factor to account for franchise fees and uncollectible accounts expense.

The resulting calculation for the 2015 Offset Rate is an increase of \$1.4 million compared to the rates currently in effect resulting in an Offset Rate of \$31.65 per MWh.<sup>14</sup>

Because the computed change in PacifiCorp's NPC exceeds 5 percent, the Offset Rate is updated in accordance with the terms approved by the Commission for the ECAC tariff. Again, the increase in NPC was due in part to an increase in system load and a reduction in zero-fuel-cost generation from the company's wind and hydro resources.

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<sup>13</sup> Recovery of costs for procurement of GHG and revenue from the sale of GHG allowances, are not included in this application. These costs are sought to be recovered by PacifiCorp in A.14-08-003.

<sup>14</sup> See Exhibits PAC/100 at 2 and PAC/101 at 1.



### **3.3. ORA Report and Recommendation**

ORA conducted an independent examination that focused on the verification and reasonableness of PacifiCorp's ECAC costs and expenses. ORA reviewed PacifiCorp's compliance with prior Commission decisions and reviewed selected areas of PacifiCorp's financial and accounting records for compliance with the Federal Energy Regulated Commission Uniform System of Accounting and with Generally Accepted Accounting Principles. ORA reviewed workpapers and reports, conducted discussions with PacifiCorp personnel, and made formal data requests.

In its examination, ORA found no notable exceptions in PacifiCorp's recording of ECAC costs, and does not propose adjustments to PacifiCorp's ECAC requests.<sup>15</sup>

No other party provided alternatives to the proposed Balancing Rate and Offset Rate proposed in A.14-08-002.

## **4. Conclusion**

We find PacifiCorp's requested adjustment to its ECAC rates to be reasonable. The application is supported by testimony and accompanying exhibits, as well as the investigation and report by ORA.

For all of the foregoing reasons, PacifiCorp's requested Balancing Rate of \$6.54 per MWh and requested Offset Rate of \$31.65 per MWh, are adopted. The total ECAC rate increase of approximately \$5.0 million or 4.1 percent overall is approved. PacifiCorp shall file a Tier 1 advice letter with tariffs to implement the

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<sup>15</sup> See Exhibit ORA-01 filed on November 14, 2014.

rates authorized by this decision. The tariffs shall become effective on or after the filing of the advice letter.

**5. Motion to Accept into the Record Previously Served Testimony and Accompanying Exhibits and Leave to File Under Seal**

**5.1. PacifiCorp**

On November 18, 2014, PacifiCorp filed a motion to admit into the record previously served testimony and accompanying exhibits. PacifiCorp also filed a motion to submit under seal confidential information contained in PAC/106 to the August 1, 2014 direct testimony of Brian S. Dickman pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure (Rule).

Rule 13.8(d) allows for testimony to be offered into evidence when hearings are not held. We therefore receive both the public and confidential versions of Exhibit PAC/106 into the record.

PacifiCorp states that Exhibit PAC/106, contains market-sensitive information relating to PacifiCorp's CARB verification and implementation costs. The confidential portion of Exhibit PAC/106 contains information that would, if made public, reveal terms of a competitively bid contract and public disclosure of this market-sensitive information would compromise PacifiCorp's procurement process, place it at an unfair advantage competitively, and may potentially harm ratepayers from inflated prices.

We find PacifiCorp's motion for confidential treatment of the requested information contained in Exhibit PAC/106 is reasonable. The Commission has granted similar requests for confidential treatment in the past and does so again. Therefore, PacifiCorp's motion to treat the requested information contained in Exhibit PAC/106 of the application as confidential material, is granted.

## **6. Categorization and Need for Hearings**

In Resolution ALJ 176-3340, dated August 14, 2014, the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that evidentiary hearings were necessary. ORA waived its right to request a hearing.

Therefore, the preliminary determination is changed to hearings are not necessary.

## **7. Waiver of Comment Period**

The parties stipulated to a waiver of the comment period in accordance with Rule 14.6(b). Accordingly, pursuant to Rule 14.6(b), the otherwise applicable 30-day period for public review and comment is waived.

## **8. Assignment of Proceeding**

Michel Peter Florio is the assigned Commissioner and Seaneen M. Wilson and Rafael L. Lirag are the co-assigned ALJs in this proceeding.

### **Findings of Fact**

1. PacifiCorp filed A.14-08-002 on August 1, 2014.
2. ORA filed a protest to the application on September 2, 2014.
3. At the time A.14-08-002 was filed, the Commission had not issued a final decision on PacifiCorp's 2014 ECAC application, A.13-08-001.
4. In Resolution ALJ 176-3340, dated August 14, 2014; the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that evidentiary hearings were necessary.
5. On August 4, 2014, the Commission granted PacifiCorp's 2014 ECAC application, A.13-08-001.
6. On September 26, 2014, PacifiCorp filed a supplement to A.14-08-002 and explained that the Commission's approval of PacifiCorp's 2014 ECAC

application resulted in no change to the ECAC rate adjustment being sought for in this application.

7. The ECAC has two rate components, the Balancing Rate and the Offset Rate.

8. PacifiCorp's current 2014 Balancing Rate is \$2.14 per MWh.

9. PacifiCorp's requested Balancing Rate for 2015 is \$6.54 per MWh.

10. PacifiCorp's current 2014 Offset Rate is \$30.00 per MWh.

11. PacifiCorp's requested Offset Rate for 2015 is \$31.65 per MWh.

12. PacifiCorp did not request any costs for the procurement of GHG allowances or revenues from the sale of GHG allowances in its 2015 ECAC application.

13. On November 14, 2014, ORA filed a motion to receive Exhibit ORA-01 into the record and waived its right to request a hearing.

14. In Exhibit ORA-01, ORA did not propose any adjustments to PacifiCorp's ECAC requests and determined that there were no factual or legal issues that are in dispute.

15. On November 17, 2014, the assigned ALJs issued a ruling receiving Exhibit ORA-01 into the record.

16. On November 18, 2014, PacifiCorp filed a motion to include previously served testimony and accompanying exhibits into the record, including Exhibits PAC/100, PAC/101, PAC/102, PAC/103, PAC/104, PAC/105, PAC/106, PAC/200, PAC/201, and PAC/202.

17. On November 18, 2014, PacifiCorp filed a motion for confidential treatment pursuant to Rule 11.4, select information contained in Exhibit PAC/106.

18. We have granted similar requests for confidential treatment in the past.

### **Conclusions of Law**

1. The preliminary determination made in Resolution ALJ 176-3340 of the need for hearings should be changed to hearings are not necessary.
2. PacifiCorp's November 18, 2014 motion to receive Exhibits PAC/100, PAC/101, PAC/102, PAC/103, PAC/104, PAC/105, PAC/106, PAC/200, PAC/201, and PAC/202 into the record should be granted.
3. PacifiCorp's requested 2015 Balancing Rate of \$6.54 per MWh for retail customers is reasonable and should be approved.
4. PacifiCorp's requested 2015 Offset Rate of \$31.65 per MWh for retail customers is reasonable and should be approved.
5. PacifiCorp's motion for confidential treatment of select information contained in Exhibit PAC/106 should be granted for a period of three years.
6. All assigned Commissioner and ALJ rulings are affirmed herein.
7. This order should be effective immediately.

### **O R D E R**

#### **IT IS ORDERED that:**

1. PacifiCorp's requested 2015 Balancing Rate of \$6.54 per megawatt hour for retail customers is approved, effective on the date of this order.
2. PacifiCorp's requested 2015 Offset Rate of \$31.65 per megawatt hour for retail customers is approved, effective on the date of this order.
3. The preliminary determination made in Resolution ALJ 176-3340 of the need for hearings should be changed to hearings are not necessary.

4. Within 30 days of today's date, PacifiCorp shall file a Tier 1 advice letter with tariffs to implement the rates authorized by this decision. The tariffs shall become effective on or after the filing date of the advice letter.

5. PacifiCorp's motion to receive Exhibits PAC/100, PAC/101, PAC/102, PAC/103, PAC/104, PAC/105, PAC/106, PAC/200, PAC/201, and PAC/202 into the record is granted.

6. PacifiCorp's motion to submit under seal confidential information contained in Exhibit PAC/106 is granted for a period of three years after the date of this order. During this three-year period, this information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If PacifiCorp believes that it is necessary for this information to remain under seal for longer than three years, PacifiCorp may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

7. Application 14-08-002 is closed.

This order is effective today.

Dated March 12, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners